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PUBLIC UTILITIES BOARD

SP 1973-616

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Preliminary Report Respecting Propane Us
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4th Floor, Petroleum Plaza

9945 - 103 Street

Edmonton, Alberta, Canada

T5K 2G6

December 3, 1973.

PRELIMINARY REPORT RESPECTING
PROPANE USED, CONSUMED, STORED
OR RETAINED WITHIN ALBERTA.

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INTRODUCTION

At the request of the Honourable Roy Farran, Minister of Telephones and Utilities, the Public Utilities Board (hereinafter called "the Board") commenced consideration of the methods and costs of production and distribution of propane and the pricing of propane sold for use and consumption within Alberta.

The Board, of its own motion, considered it appropriate to conduct a public inquiry in order to obtain, to the extent that its authority permitted, information which would enable it to determine, in exercising its powers and authority pursuant to The Gas Utilities Act, whether it would be in the public interest to fix and determine the just and reasonable price or prices for propane used, consumed, stored or retained within Alberta.

The Board also considered it appropriate to examine the question of whether the supply of propane to be consumed as a heating fuel within Alberta should be regulated as a public utility, and whether such regulation could be exercised effectively.

Accordingly, the Board forwarded notices of the inquiry to producers, distributors, wholesalers and retailers of propane, and to firms, associations and individuals whom the Board felt might be sufficiently interested to contribute information to the inquiry. Notice of the inquiry was also published in newspapers throughout the province.

A list of items on which the Board desired to be informed was distributed with the notices of inquiry. The Board subsequently expanded the list of inquiry items and the revised list was distributed to those who appeared on the first day of the Board's hearing.

The filing of submissions and the recording of appearances took place on the first day of the Board's hearing at the Court House in Calgary on September 27, 1973.

The Board adjourned the hearing to facilitate preparation of further submissions in response to the expanded inquiry items list. Further hearings were held at the Court House in Calgary on October 25 and 26, 1973.

Two major producers of propane, Imperial Oil Limited and Gulf Oil Canada Limited, addressed the Board and produced witnesses. Two major distributors of propane, Canadian Propane Gas & Oil Ltd. and Cigas Products Ltd., addressed the Board and produced witnesses.

The Canadian Petroleum Association submitted a short brief, Dome Petroleum Limited and Chevron Standard Limited made short submissions.

Submissions were received from two rural co-operative associations but no persons appeared at the hearings to speak to the submissions. No consumers appeared at the hearings nor did anyone appear on their behalf from any Consumer or Municipal Association.

The Board has received a number of letters from consumers.

To obtain further information relative to propane consumers, a member of the Board met with officials of three Co-operative Associations who distribute propane.

At the hearing, Dome Petroleum Limited challenged the Board's authority to proceed with the inquiry and submitted a Notice of Motion that the hearing not be proceeded with. Following argument, the Board denied the motion and proceeded with the inquiry.

The information given at the hearing, received by letter and obtained by interview will be summarized under the headings used in the revised list of inquiry items and will be included in the Board's full report.

A summary of the Board's principal conclusions and the Board's recommendations, follow:

THE BOARD'S PRINCIPAL CONCLUSIONS ARE:

1. That the world market price is the major influence on wholesale prices of propane in Alberta.

Wholesale prices have escalated and are continuing to escalate due to rising world market demands.

2. That the wholesale price of propane in Alberta is the major influence on the retail price.

Although retail prices are influenced also by varying storage and distribution costs and competitive factors, they have escalated and are continuing to escalate due to rising wholesale prices.

3. That if world market demand and prices continue to increase, Alberta consumers will automatically pay more for propane unless action is taken to protect them.

4. That

- a) since the cost of producing and processing propane would be difficult to establish, and
- b) since propane distributors are not capital intensive, and
- c) since competition exists at the distribution level,

full regulation of propane distributors as gas utilities is not necessary at present.



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THE BOARD'S RECOMMENDATIONS ARE:

1. That the Public Utilities Board be more fully empowered to monitor both wholesale and retail prices at which propane is sold for use and consumption in Alberta.

To effectively exercise such monitoring function, the Board should be authorized to:

- (a) obtain information regarding the number and classes of Alberta consumers of propane,
 - (b) obtain complete information respecting prices charged by producers, and
 - (c) obtain complete information respecting prices and conditions of sale to the ultimate consumer in Alberta.
2. That the regulatory powers of the Public Utilities Board be expanded to ensure, with respect to propane used, consumed or stored within Alberta, that wholesalers and distributors will be under the jurisdiction of the Board.
 3. That, while the Board did not specifically enquire into butane prices, the Board considers it prudent to include butane within the scope of the power to monitor and regulate, which is recommended, be given to it. Butane is closely related to propane and is a possible alternative fuel.
 4. That, in order to implement the above recommendations, certain amendments to The Gas Utilities Act are required.

Respectfully submitted,

(SIGNED) M. H. PATTERSON

CHAIRMAN

(SIGNED) WM. R. HORTON

MEMBER

(SIGNED) J. C. SAKS

MHP/rnb.

MEMBER

